Table 4.5: uMlalazi projects for 2009/2010

Project Name	Ward	Cost (Rands)	Current Status
Nyonibizumuntu extension	19	100 000	40% Complete
Tshekhombe extension	19	100 000	20% Complete
Ngudwini spring	5	120 000	Completed
Ezibhananeni	3	70 000	Design
Enkawini Spring	3	65 000	Procurement
Dindini borehole	4	125 000	Design
Nodlanzana borehole	4	125 000	Design
Nkulisabantwana	3	50 000	Procurement
Zondeleni Spring	2	80 000	Completed
Total		**755 000**	

Due to unforeseen reasons some of the projects in uMlalazi took longer to kick start and hence the delay in their finalization.

Table 4.6: Kwambonambi projects for 2009/2010/2012

Project Name	Ward	Estimated Costs	Status
Thandaza extension	8/11	100 000	On hold due to diminishing source
Wela Wela extension	8	100 000	On hold due in 11/12
Bangicala extension	8	100 000	On hold due to source diminishing
Phathane extension	10	117 000	Completed
Soya extension	10	179 500	Completed
Nkiya nkiya	10	207 500	Completed
Ezidwabeni	10		Under investigation
Nhlabosini	10		Completed
Holinyoka 1	3	160 000	on hold due to budget
Holinyoka 2	3	298 000	On hold- budget
Weighbridge borehole (Mondi)	2	200 000	On hold - budget
Total		**1 462 000**	

Table 4.7: Kwambonambi projects for 2009/2010/2012

Project Name	Ward	Estimated Value	Current Status
Bedlane	6	800000	Awarded
Thunzini	2	1200000	Awarded
Bomvini borehole, Developing a borehole install a holding tank and water dispensing units	2	125000	On hold due to land issue
Total		**2 125 000**	

4.2.2 Drought Management

One of the challenges facing this Municipality in delivering sustainable service is the persistent drought conditions. The images in Figure 4.2 show the extent of the drought in the District especially in the areas of Ntambanana and Mbonambi and in the past year the

towns such as Eshowe and Gingindlovu were severely affected. This affects the water tanker reduction plan/strategy when rivers and dams dry-up as it increases demand on the service of water tankers which then become the only option to service that community.

(a) uMlalazi (Ruth-ledge) Dam (20%)

(b) Eshlazi Dam - uMlalazi (28%)

Figure 4.3: *The Impact of drought on storage of water in dams*

Figure 4.3 shows water levels at some point in Eshowe Town in two of its main water sources which then lead to severe water restrictions and urgent boreholes had to be drilled in order to supplement these sources.

The schemes in shown in Table 4.8 have had their sources running dry and water tankers had to be activated to assist:

Table 4.8: *The Impact of drought on storage of water in dams*

Scheme Name	Reason
1. Thalaneni	Source dried up
2. Thalangeni	Source dried up
3. Ethaleni	Source dried up
4. Jameson's Drift	Source dried up
5. Manyane Clinic	Source dried up
6. Mandaba 2	Source dried up
7. Nhloshana	Source dried up
8. Nkonisa	Water shortage
1. Nqaba	Source dried up
2. Hlabathini	Source dried up
1. Isidibha	Source dried up
2. Hlungwini	Source dried up
3. Lubisana	Source dried up
1. Mtinya/Sabhuza	Source dried up
2. Malaleni/Sokhulu	Source dried up
3. Manzamnyama	Source dried up
4. Bangicala	Source dried up
5. Ndlabeyilandula	Source dried up
6. Thandaza	Source dried up
7. Ekupheleni/Mhlana	Source dried up
8. Nhlabosini	Source dried up
9. Holinyoka	Source dried up
10. Empumelelweni	Source dried up
11. Welawela	Source dried up
12. Inkanyezi	Source dried up
13. Hlanzeni/Thukweni	Drastic change in raw water quality
1. Ogelweni/Mkhandlwini	Source dried up
2. Emzini/Malongweni	Source dried up
3. Obuka/KwaMawanda	Source dried up
4. Crocodile Dam	Source dried up

Drought intervention

For the period of 01July 2010 to 30 June 2011 about 1 975 616 kilometres (9.56% more compared to last year) covered by water tankers in supplying water to these tanks as well as to individuals who placed orders and for different Municipalities and other government functions within the District at totalling to 25 222 (9% more compared to last year) loads which translates to about 504 ML of water supplied (10% more compared to last year). This is all due to intensity of the drought in the District.

As shown in Table 4.9, there are 25 water tankers are used for this task. About 18 boreholes were drilled in this financial year in different local Municipalities within the District and 16 of those can be used as production boreholes. The rest were capped due to poor underground water quality and very low yields.

Table 4.9: *Schemes serviced by tankers due to effects of drought*

Local Municipality	Number of Tanks	Number of Jojo Tanks	Other Storage
281	5	140	6 concrete reservoirs
283	10	178	2 Steel tanks + 1 concrete reservoir
284	8	140	2 concrete reservoir +2 steel tank
285	1	14	7 concrete reservoirs
286	1	18	7 concrete reservoirs +steel tank
Total	**25**	**490**	**28**

4.3 Addressing Regulatory Requirements

In 2009 the then Department of Water Affairs and Forestry DWAF now DWA implemented water (Blue Drop) and waste water (Green Drop) monitoring programme. This programme seeks to ensure that water in the country is safe to drink and that environment is protected by ensuring that effluent discharged into the streams and rivers is compliant with their (DWA) requirements.

It has been an uphill battle for most municipalities especially the rural municipalities that have historical problems and set up of their water systems and uThungulu is also no exception. As mentioned above, uThungulu has a number of localised schemes and some of them have boreholes and springs as the source of water and in most instances there is not even a power source to install any form of treatment or purification plant in order to treat water to required criteria set by DWA. The only method of treatment is disinfection which is not enough.

4.3.1 Blue drop report

The following is a set criterion by DWA for their purposes of Blue drop assessment:

- Water Safety Planning Process & Incident Response Management
- Process Control, Maintenance & Management Skills
- Monitoring Programme
- Credibility of Sample Analysis
- Submission of Laboratory Results
- Drinking Water Quality Compliance
- Publication of Water quality Results
- Asset Management

In 2009 Uthungulu District Municipality score in the Blue Drop assessment was 34% and internal mechanisms were put in place to try and improve where we could which resulted to a significant improvement during the 2010 assessment which currently stands at 71%. We are still far away from getting a blue drop certificate however a certificate of acceptable compliance was bestowed to the Municipality regardless. With more bulk infrastructure being implemented and some being commissioned and less and less localized schemes being used our chances of Blue Drop compliance will improve.

4.3.2 Green drop report

The set criterion for the waste water assessment is:

- Process Control, Maintenance & Management Skills
- Monitoring Programme
- Credibility of Sample Analysis
- Submission of Quality Results
- Failure Response Management
- Bylaws
- Treatment and Collector Capacity
- Asset Management

Uthungulu has a number of different waste water treatment plants within the District ranging from small to medium size plants. When the Municipality received its WSA and WSP status we inherited water and waste water plants and operators that were not properly maintained and managed. These plants were taken over from the Local Municipalities, Department of Works as well as the then Department of Water Affairs and forestry. The Municipality has tried its best over the years to maintain and refurbish some of these plants but the finances are preventing the Municipality from consolidating/providing a proper sewerage treatment plants where practical and can lead into efficient provision of this service. In 2009 Uthungulu District Municipality scored 50% however in the latest assessment (2010) the Municipality scored 68%. We are still far away from receiving our Green Drop

status. The Municipality will have to embark on an aggressive method of raising funds in order to rehabilitate and build new waste water treatment works if we are to succeed in this mammoth task ahead of us.

4.4 Challenges

4.4.1 Vandalism

The whole district has been plagued by vandalism which has left a number of communities without water. Numerous attempts have been made to address this issue including arranging community meetings to addressing communities through the media using the Mayoral radio slots and the municipality's own monthly news letter but that has had minimal impact. Presented in Figure 4.4 is an example of theft of cables in some schemes while Figure 4.5 shows vandalism in Ntambanana.

Figure 4.4: *Theft of an electrical cable in a scheme*

Figure 4.5: *Vandalism of DB box at Crocodile Dam in Ntambanana*

4.4.2 Flood damage

Flash floods in the district do cause considerable damage to the water services infrastructure. Figure 4.6 shows damaged caused by the floods that showered the district in late December 2010.

Figure 4.6: *The Impact of floods on water infrastructure*

4.4.3 Illegal Connections/ abuse of water

Another challenge that the municipality is facing is that of the increasing number of illegal connections and water wastage by communities which impacts on the supply to the rest of the scheme or network. Figures 4.7 shows an illegal connection where gardens are being irrigated with purified water aimed for drinking in Isihuzu area of Ntambanana. Figure 4.8 shows illegal connection still being done in an area called Cinci in the Mfolozi Municipality while Figures 4.9 and 4.10 indicates evidence of some members of the community in action digging road crossings for their illegal connections.

Figure 4.7: *Irrigating a garden with purified water at Isihuzu in Ntambanana*

Figure 4.8: *Illegal connection in Cinci in the Mfolozi Municipality*

Figure 4.9: *Community members caught in action with an illegal connection*

Figure 4.10: *Another illegal connection*

References

UDM (2010). SDBIP for 2010/2011 Financial year.

Annex 1: *Water & sanitation projects: cash flow estimate for the next 5 years*

KZ	Project Name	Council Wards	Start	Complete	Estimated Cost	Municipal Budget Years					
						Previous Years	2010/11	2011/12	2012/13	2013/14	2014/15
281	281-3 - VIP Sanitation Project	7 & 8	Aug-11	Jun-13	17,243,848	-	6,310,000	8,250,000	2,683,848	-	-
281	281-4 - VIP Sanitation Project		Nov-13	Dec-15	10,832,040	-	-	-	1,566,152	6,582,040	2,683,848
281	Mbonambi Water Phase 2	Partial 2,3	May-11	May-14	97,291,946	2,363,069	7,000,000	10,871,750	25,960,421	10,420,336	20,676,370
281	Mhlana Somopho Phase 3C	Partial 7,8,11	Aug-11	Jun-14	116,617,866	-	3,888,645	12,000,000	28,000,000	29,819,140	30,000,000
281	Upper Nseleni Phase 3B (reticulation)	Partial 7	Apr-06	Sep-07	83,025,411	59,952,579	16,358,524	6,714,308	-	-	-
281	Upper Nseleni Phase 2	Partial NT8 & Partial MB7	Oct-06	Sep-07							
281	Mbonambi Water SSA2	Partial 1,2,3	Jul-14	Jun-17	38,000,000	-	500,000	-	-	3,000,000	15,000,000
285	Greater Mthonjaneni SSA 2	Partial 2,3,4	Nov-12	Jun-16	198,898,425	-	500,000	-	-	6,357,497	30,000,000
285	285-3 - VIP Sanitation Project	1 Partial 2	Feb-11	Apr-13	15,602,121	16,616,867	6,000,000	6,879,632	605,622	-	-
DC28	Greater Mthonjaneni Phase 1 & 2	Reg. Scheme	Jul-06	Oct-11	209,367,632	116,523,135	66,321,492	25,966,495	-	-	-
286	286-3 - VIP Sanitation Project	13 & 14	Oct-10	Feb-13	21,318,327	2,433,720	6,000,000	8,000,000	4,884,607	-	-
286	286-4 - VIP Sanitation Project	6 & 7	Aug-13	May-16	21,286,172	-	-	-	-	9,145,509	12,140,663
286	Middledrift SSA3	Partial 14,13	Aug-12	Mar-15	40,805,279	-	500,000	-	2,000,000	5,433,868	20,000,000
286	Middledrift SSA 5	Partial 2 & 3	Aug-12	Feb-15	208,304,337	-	4,877,733	-	5,000,000	25,000,000	28,174,062
286	Vutshini Phase 1	Partial 2	Apr-12	Jan-15	29,500,000	-	500,000	5,000,000	12,000,000	3,500,000	8,500,000
286	Nkandla Vutshini S/A SSA5	Partial 9,13 & 11	Oct-11	Feb-13	189,345,223	-	1,000,000	7,000,000	10,000,000	20,302,512	30,000,000
283	283-3 Sanitation Project	1 & 2	Aug-11	May-13	13,500,000	-	5,000,000	7,500,000	1,000,000	-	-
283	283-4 Sanitation Project	3 & 5	Nov-13	Jun-16	23,583,363	-	-	-	8,000,000	9,500,000	6,083,363
283	Greater Mthonjaneni SSA 4	Partial 4,3	Jan-12	May-15	47,687,840	-	2,531,547	11,999,000	10,001,000	5,362,433	17,793,860
283	Greater Mthonjaneni SSA 5	partial 2,3,5	Mar-12	Oct-16	90,738,717	-	500,000	10,000,000	10,000,000	20,000,000	30,000,000
283	Upper Nseleni Phase 1 VO	Partial 7, 5 & 8	Aug-06	Sep-11	21,714,308	-	15,000,000	10,000,000	4,714,308	-	-

KZ	Project Name	Council Wards	Start	Complete	Estimated Cost	Municipal Budget Years					
						Previous Years	2010/11	2011/12	2012/13	2013/14	2014/15
284	284-3 - VIP Sanitation Project	3 & 4	Mar-11	Feb-13	21,762,755	2,519,654	6,500,000	7,733,000	4,979,350	-	-
284	284-4 - VIP Sanitation Project	7, 18, 19, & 23	Aug-13	Sep-16	28,170,072	-	-	-	-	10,000,000	10,500,000
284	Kwahlokohloko SSA 1	Partial 9,10	Jul-11	Sep-14	263,150,512	-	5,119,580	17,000,000	43,000,000	45,000,000	30,000,000
284	Eshowe SSA 1	11, 13	Oct-12	Nov-15	152,850,902	-	500,000	-	2,300,000	12,281,575	30,000,000
284	Mpungose Phase 1D VO (Kwahlokohloko SSA 2 & 3)	Partial 11, 19, 20, 21	May-10	Sep-11	80,564,317	10,344,426	1,000,000	2,750,965	10,000,000	3,249,035	30,000,000
284	KwaHlokohloko S/A SSA5 / Umhlathuze L M	23, partial 22	Aug-11	Jan-13	157,844,574	-	3,644,894	12,500,000	22,000,000	28,515,604	30,000,000
284/286	Middledrift Phase 2	Um1 & 2 & Nk7,13 & 14	May-06	Jun-12	32,755,472	21,908,999	2,060,526	9,030,850	-	-	-
284/286	Middledrift (Purification Plant)	Various	May-11	Nov-11	56,739,556	2,000,000	4,513,470	33,030,850	17,195,236	-	
					1,963,489,904	**172,346,801**	**166,126,411**	**212,226,850**	**225,890,544**	**253,469,549**	**381,552,166**

Annex 2: *Water & sanitation projects: MIG registration status as at June 2011*

KZ	Project Name	Council Wards	Subwards	Start	Complete	Estimated Project Cost	Municipal Budget Years				
							Previous Years	Consultant Appointment	BP Approval	MIG Approval	Detail Design
281	281-3 - VIP Sanitation Project	7 & 8	all Subward	Aug-11	Jun-13	17,243,848	-	UDM	DONE	DONE	DONE
281	281-4 - VIP Sanitation Project	4 & 11	all Subward	Nov-13	Dec-15	10,832,040	-	UDM	DONE	DONE	DONE
281	Mbonambi Water Phase 2	Partial 2,3	Emhlanzini, Velaband-hla, Mankwathini, Nhlanbane, Ezindzbeni	May-11	May-14	97,291,946	2,363,069	DMV	DONE	DONE	DONE
281	Mhlana Somopho Phase 3C	Partial 7,8,11	Ntobozi, Mbabe, Zigaganeni, Nhlwathi, Mazawula, Ezidonini, Bhubhubhu, Danyini, Bumbaneni, Ngwebu, Mfolozane, Nozam-bula, Ekusayeni	Aug-11	Jun-14	116,617,866	-	ILIFA / ZAI / ISIGODI	DONE	DONE	DONE
281	Upper Nseleni Phase 3B (reticula-tion)	Partial 7	Partial Mhlana, Mab-huyeni	Apr-06	Nov-10	70,031,692	59,952,579	ILIFA	DONE	DONE	DONE
281	Upper Nseleni Phase 2	Partial NT8 & Partial MB7	Hlaza, Obizo, Ntoyini and Partial Mhlana	Oct-06	Oct-11				DONE	DONE	DONE
281	Mbonambi Water SSA2	Partial 1,2,3	Holinyoka, Manzamny-ama, Gwabalanda, Partially Ezindabeni & Dlabeyilandula	Jul-14	Jun-17	21,219,127	-	DMV	Nov-11	Apr-12	Jul-12
285	Greater Mthonjaneni SSA 2	Partial 2,3,4	Mgabhi, Ingwenya, Ey-ingwenya, Thembeni, Zimbumbe	Nov-12	Jun-16	198,898,425	-	PDNA	DONE	Sep-11	Jul-12
285	285-3 - VIP Sanitation Project	1 Partial 2	Mthonjaneni NU	Feb-11	May-13	15,602,121	16,616,867	DMV	DONE	DONE	DONE

KZ	Project Name	Council Wards	Subwards	Start	Complete	Estimated Project Cost	Municipal Budget Years				
							Previous Years	Consultant Appointment	BP Approval	MIG Approval	Detail Design
DC 28	Greater Mthonjaneni Phase 1 & 2	Reg. Scheme	Mehlamashe, Kwamazulu, Mgabhi, Ngwenya, Goedgeloof, Nkunzempungu, Zimdube, Eyingwenya, Ekutheleni, Bedlane, Isibaya Esikhulu, Zigagayi, Emahlabathini, Makhosaneni, Phezukwehlanza	Jul-06	Oct-11	209,367,632	116,523,135	UWP / ZAI / BKS / VGC	DONE	DONE	DONE
286	286-3 - VIP Sanitation Project	13 & 14	all Subward	Oct-10	Feb-13	21,318,327	2,433,720	MAKHETHA	DONE	DONE	DONE
286	286-4 - VIP Sanitation Project	6 & 7	all Subward	Aug-13	May-16	21,286,172	-	UDM	DONE	DONE	DONE
286	Middledrift SSA3	Partial 14,13	Hlwehlwe, Mpabacane, Nhlababo, Ezimbidla	Aug-12	Mar-15	40,805,279	-	EYETHU	DONE	DONE	To be finalised once construction of WTW is 50% progress
286	Middledrift SSA 5	Partial 2 & 3	Izinsundu, Ntamoyenkunzi. Kwa Gasa, Part Mpaphala, Khangelani, Mbizane, Buthanani, Shushu, Ntamoyenkunzi, Matshamhlophe, Nhlalamnyango	Aug-12	Feb-15	208,304,337	-	BKS / SIVEST	DONE	DONE	To be finalised once construction of WTW is 50% progress
286	Vutshini Phase 1	Partial 2	Bhacane, Cunguwane, Kwazondi, Masoka	Apr-12	Jan-15	29,500,000	-	BIGGAR	Source investigation being undertaken		
286	Vutshini Phase 2	Partial 8,10 & 12	Ekombe, Vutshini, Salofu, Kwa Gugu, Msukane, Mtshwili, Msobotsheni	Jun-07	Jun-10	19,804,998	17,196,709	MBB	DONE	DONE	DONE

KZ	Project Name	Council Wards	Subwards	Start	Complete	Estimated Project Cost	Municipal Budget Years				
							Previous Years	Consultant Appointment	BP Approval	MIG Approval	Detail Design
286	Nkandla Vutshini S/A SSA5	Partial 9,13 & 11	Khothongwe, Macala, Pholela, Mwane, Ejo-keni, Dlolwane, Maso-losolo, Nyawoshane, Manyane, Ezilozini	Oct-11	Feb-13	189,345,223	-	ERNEST CLOETE / ZAI	DONE	Awaiting Mzinyathi's approval of agree-ment	
283	283-3 Sanitation Project	1 & 2	all Subward	Aug-11	May-13	13,500,000	-	UDM	DONE	DONE	DONE
283	283-4 Sanitation Project	3 & 5	all Ward 5 Subward	Nov-13	Jun-16	23,583,363	-	UDM	DONE	DONE	DONE
283	Greater Mthonjaneni SSA 4	Partial 4,3	KZ 285-Ndudulu, Hawule, Wabaza & KZ 283-Mpevu, Nkwen-kwe, Emasangweni, Nomponjwana	Jan-12	May-15	47,687,840	-	ILIFA	DONE	Jun-11	Oct-11
283	Greater Mthonjaneni SSA 5	partial 2,3,5	Oqhabiyeni, Ogelweni, Emfeni, Esidakeni, Gobihlahla, Partially Emkhandlwini	Mar-12	Oct-16	90,738,717	-	ILIFA	DONE	Jun-11	Oct-11
283	Upper Nseleni Phase 1 VO	Partial 7, 5 & 8	Sihuzu, Ningizumu, Ubizo, Mabeka, Partial Ndondwane, Ntamba-nana	Aug-06	Sep-11	21,714,308	-	ILIFA / ZA-MANANI	DONE	DONE	DONE
284	284-3 - VIP Sanitation Project	3 & 4	all Subward	Mar-11	Feb-13	21,762,755	2,519,654	PDNA	DONE	DONE	DONE
284	284-4 - VIP Sanitation Project	7, 18, 19 & 23	all Subward	Aug-13	Sep-16	28,170,072	-	UDM	DONE	DONE	DONE
284	Kwahlokohloko SSA 1	Partial 9,10	Mandawe (partial), Mbizo 2, Ncemaneni, Zigagayi, Emaqeleni, Isiphezi, Kwa-Mpofu, Kwa-Hlokohloko / Thin-tumkaba, Eziqwaqweni (Ward 26), Mhlathu-zana Mtilombo Mbizo 1	Oct-11	Sep-14	263,150,512	-	EYETHU / BKS	DONE	DONE	Jul-11

KZ	Project Name	Council Wards	Subwards	Start	Complete	Estimated Project Cost	Municipal Budget Years				
							Previous Years	Consultant Appointment	BP Approval	MIG Approval	Detail Design
284	Eshowe SSA 1	11, 13	Eshowe Town, King Dinizulu T/S, Kwa-Mfana, Nyanini, Berea, Thawini, Ntenjane, Emncongweni (Ward 16), Siqwanjana (Ward 16), Izindophi	Oct-12	Nov-11	152,850,902	-	AURECON & MAKHETHA	DONE	Oct-11	May-12
284	Mpungose Phase 1D (Kwahlo-kohloko SSA 2 & 3)	Partial 11,19,20,21	Habeni, Ngodini, Emat-sheni, Ntshantshelu, Mqaday, Enqoleni, Nomyaci, Mashishi, Khabingwe, Emgosi-naneni, Elemoya	Oct-11	Sep-14	80,564,317	10,344,426	BJFC	DONE	DONE	Jul-11
284	KwaHlokohloko S/A SSA5 / uM-hlathuze Local Municipality	23,partial 22	Oyemeni, Phon-gola, Lubisane, Gugushe, Ohhaheni, Makhehle(partial), Makholokholo (partial), Nteneshane, Hlobane, Macekane, Sabe 1 & 2	Aug-11	Jan-13	157,844,574	-	ERNEST CLOETE / ZAI	DONE	DONE	May-11
284/ 286	Middledrift Phase 2	Um1 & 2 & Nk7,13 & 14	Nyimbithwa, Bongela, Nkunzempunga, Izinyosi, Mfomfolozi, Mbileni, Mvuzane	May-06	Jun-12	28,000,000	21,908,999	SIVEST	DONE	DONE	DONE
284/ 286	Middledrift (Purification Plant)	Uml 1, 2, 3, 4, 5, 6, 7 & 8 & Nk7,13 & 14	Various	May-11	Nov-11	56,739,556	2,000,000	ERNEST CLOETE	DONE	DONE	DONE
TOTAL						**2,273,775,950**	**251,859,158**				

Department Of Financial Services

The overall objectives of the Financial Services department is:

- The Management of Financial Municipal Reporting
- The Management of Municipal Budgets
- The Management of Supply Chain Management
- The Management of Municipal Expenditure
- The Management of Municipal Assets
- The Management of Municipal Revenues
- Annual preparation of Annual Financial Statements

Section: Revenue

The active debtor database is well over 20 000 and the revenue department is tasked with ensuring that all consumed services are billed for and paid timeously. To serve our customers more efficiently fully operational satellite offices are situated at Nkandla, Melmoth, Eshowe, Gingindlovu, Mtunzini, Mfolozi and the Regional Waste site. Their purpose is to provide convenient access to the residents of the entire District who wish to pay an account or make enquiries about Municipal service. In addition to the fixed offices we also service our rural communities by having a dedicated official who travels to each community identifying their needs and addressing them where necessary.

Working together with the community development officers (CDO's) the revenue department plays a crucial role in ensuring that not only do we meet our strategic objectives of providing portable water and safe sanitation to all but we also maintain long term financial sustainability.

In the year under review we had unified water tariffs across the District and the basis of sanitation tariff was changed to incorporate the property value as the baseline formula which thereafter unified the bases of sanitation tariffs across the District. Further tariff mechanisms were also implemented to encourage conservatory water usages amongst the commercial and governmental organizations.

The revenue department commenced with the financial administration of the Regional Cemetery in July 2010, which was previously operated on the Districts behalf by the City of uMhlatuze, thereby necessitating the establishment of a cashier office based at the Regional waste site, neighboring the cemetery, due to the cemetery premises not having appropriate accommodation to incorporate this service.
The regional landfill site which was also previously managed by a service provider has since 01 July 2010, now being effectively managed with internal resources.

Tariffs

Taking cognizance of the high poverty levels of the District, recovery of full costs for services through appropriate tariff structures becomes a challenge as our services would become unaffordable. We therefore rely heavily on government grants to subsidise our service costs, however we have acknowledged that we cannot

become complacent and rely purely on government grants. In this regard the setting of tariffs has become a very analytical process whereby we have to find an equilibrium between cost recovery and the financial needs of our residents. It is envisaged that cost reflective tariffs are required to be implemented by 2014 accordingly with guidance from National Treasury.

Revenue statistics

The total revenue as reflected in the 2010/2011 Statement of Financial performance is R 464 million (2009/2010 R 479 million); this comprises National and Provincial grants, trading and non trading revenue.

Debtors

A contentious issue attracting considerable publicity in the past year was the amount of debts owed to South African Municipalities. Collection of municipal debts has always been a challenging task with consideration to the fact that 80% of our residents are rural and poverty-stricken. Adding further challenges is the slow recovery from the worldwide recession that has rendered many of our residents in a less favorable financial position.

Stricter credit control actions are used as measures to recover debts, however several mechanisms have been implemented to assist the poor and aged, namely, Indigent and Incentive policies. The indigent policy is aimed at alleviating the plight of our poor and aged by affording them free and subsidized services, whilst the objective of the incentive policy is to assist customers with arrears by providing an incentive of partial write off's in recognition for their future payment commitments.

In addressing the plight of our poor residents, Council in this financial year approved the write-off of certain categories of outstanding debts, amounting to R 2,236,883.67, thereby easing the financial burden of some of our consumer's debts.

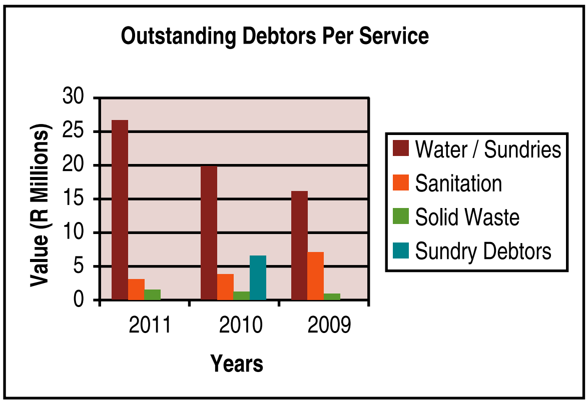
The following table depicts the outstanding debt as at 30th June 2011 per the trading service category.

Age Analysis - Per Service

	2011	2010	2009
Debtors (Rm)			
Water / Sundries	26.6	20.0	16.0
Sanitation	3.2	3.7	7.0
Solid waste	1.5	1.3	1.0
Sundry Debtors	0	6.6	0.0
Consumer Debtors	**31.3**	**31.6**	**24.5**

In 2010/2011, the Service debtors decreased marginally from R 31.6 million to R 31.3 million indicating that current debts are being collected however aged debts from prior periods still pose collection challenges.

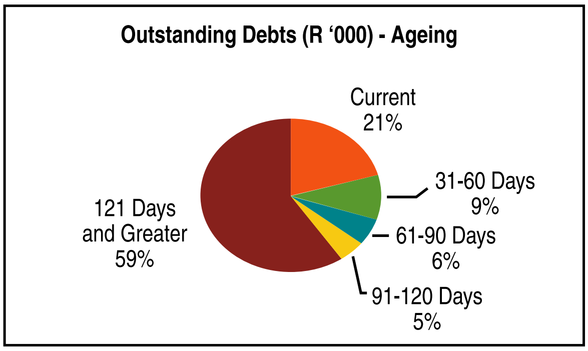
The following table depicts the outstanding amounts per service type for the past three years. Although the debts for sanitation and solid waste have been curbed, it is evident that water debt is increasing.



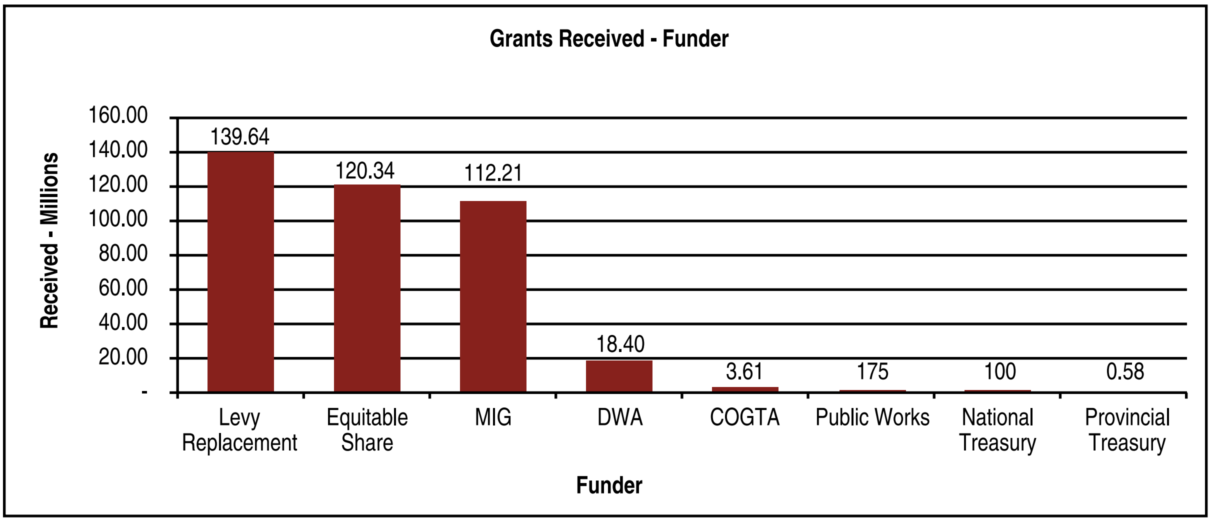
The total provision for doubtful debts amounted to 67% of consumer debtors in 2011 (54% 2010).

	2011		2010	
	R	%	R	%
Current	6.5	20.8	7	22.1
31 – 60 Days	2.9	9.3	3.5	11.1
61 – 90 Days	1.8	5.7	1.3	4.1
91 – 120 Days	1.5	4.8	1.2	3.9
121 Days and Greater	18.6	59.4	18.6	58.8
Total	**31.3**	**100**	**31.6**	**100**

The table below shows analysis of the outstanding debts per period.



The statistics indicate the economic climate experienced by the District Municipality whereby consumers are unable to meet their current obligations. This has necessitated Council to explore mechanisms to assist customers to settle their debts as well as to make services more affordable to the poor and aged.



The revenue department has embarked on a programme to hold after-hours workshops within the various suburbs of the District. These workshops are to afford residents individual assistance with matters pertaining to arrears and the indigent and incentive policies. It is noted that in 2011 outstanding government debt constituted 15% of the total outstanding debtors (27 % -2010). Assistance from the office of the Honourable Mayor has already started to yield positive results thereby curbing the increasing government debts.

Grants and Subsidies

Grant allocation to the value of R 397 Million was received from various funders during the 2010/2011 financial year. The table below depicts the allocations as received.

Investments

The approved Investment policy regulates all investments placed during the financial year. The investment policy of the municipality is aimed at gaining the optimum return on investments without incurring undue risks. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management, which must identify the surplus amounts to be invested and when those funds will be needed by the municipality's operations. All investments are made with institutions which comply with the Banks Act, 1990 (Act No. 94 of 1990); and such investment shall not exceed a period of 120 days.

Section: Supply Chain Management

The fifth update of the Supply Chain Management Policy has been approved by Council (UDMC 1810) on 17 March 2011 and has since been implemented as such and is in accordance with the Supply chain Management Regulations pertaining to the Municipal Finance Management act.

Over the past years the processes of buying goods and services for operational and capital requirements has evolved into a scientific architecture governed by legislature, ensuring that all municipal procurement is carried out in a manner which is fair, transparent, cost effective, competitive, and considers the organisation's financial and social responsibilities.

The journey to achieving the goals of National Treasury and compliance with National and Provincial Government legislation could be considered to be highly regulated, however we have been successful in the formation of a supply chain policy and the implementation thereof.

The tables below depict the volume of supply chain management transactions processed during the financial year.

Direct Purchased Orders Processed:

Order Count	Total value	Previous Value	Difference
1700	R24 863 969.63	R25 450 746.52	R586 776.89

Stock Purchase Orders Processed:

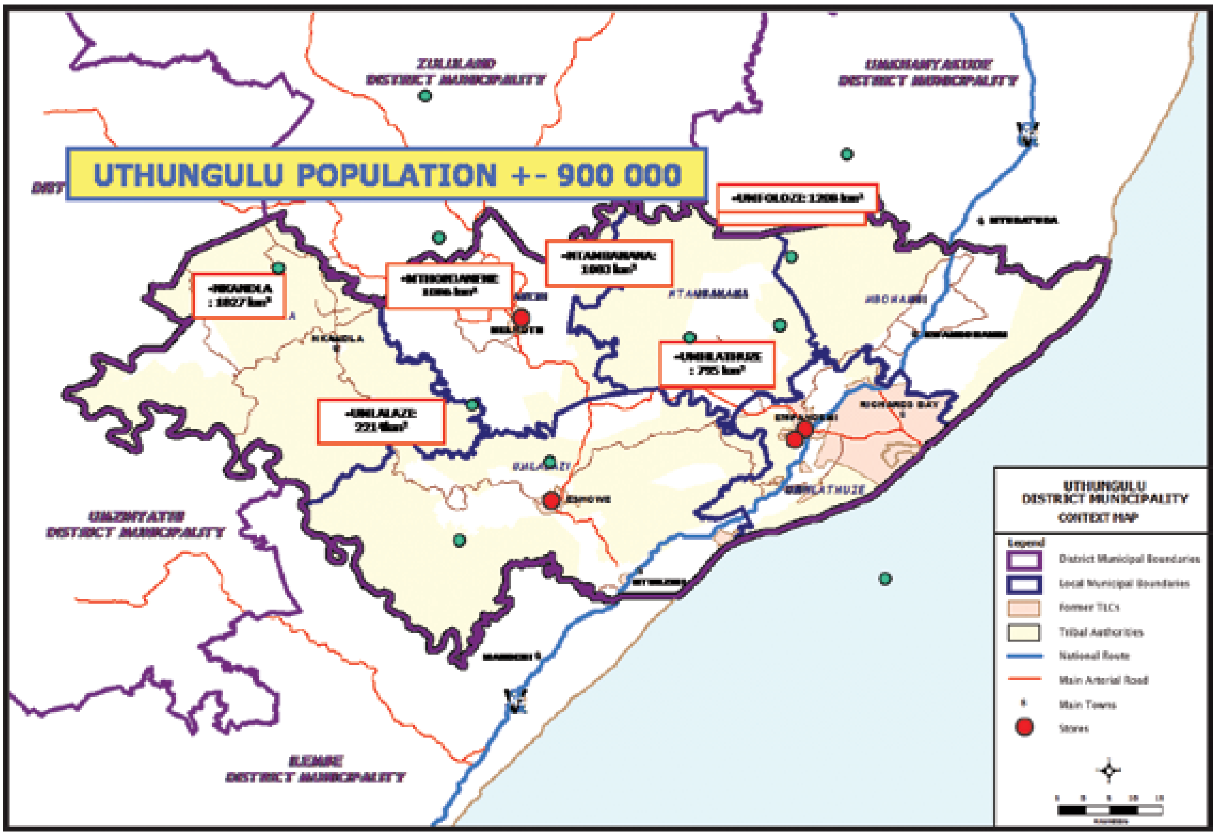
Order Count	Total value	Previous Value	Difference
104	R3 155 691.03	R3 762 175.61	R606 484.58

Total Purchase Orders Processed:

Order Count	Total value	Previous Value	Difference
1804	R28 019 660.66	R29 212 922.13	R1 193 261.47

SCM Database

In ensuring that we have an adequate pool of suppliers to approach, so as to ensure that we are able to attain the best available pricing and quality we have created a database of service providers. This database affords potential suppliers to register with Council so they thereafter may be eligible for future transactions with us. The



database also serves to attract small and emerging enterprises. The fully operational database now affords the opportunity to seek quotations from registered suppliers through the mechanism of advanced information technology and systems which has eliminated the human factor in most instances, thus mitigating risks associated with prejudicial procurement practices.

Stores

The District has four fully functional stores strategically located so as to be able to provide stock material without logistical delays. Periodic stock counts have reaffirmed the commitment by the staff manning these stores in that our losses have for the past years been negligible.

The following is a summary of stock holding and movements at all four stores under the control of the uThungulu District Municipality during the 2010/2011 financial year.

Store	Opening Balance	Closing Balance	Movement
Empangeni Store	R2 663 889.45	R1 382 758.09	R1 281 131.36
Mthonjaneni Store	R102 634.99	R96 250.12	R6 384.87
Umlalazi Store	R5 334 609.29	R5 241 007.85	R93 601.44
Uthungulu Store	R96 246.56	R97 959.93	R1 713.37

Stock Received:

Store	2010/2011	2009/2010	Difference
Empangeni Store	R2 196 457.53	R4 593 144.90	R2 396 687.37
Mthonjaneni Store	R42 313.75	R46 964.28	R4 650.53
Umlalazi Store	R499 135.75	R5 045 464.41	R4 546 328.66
Uthungulu Store	R61 455.00	R115 314.75	R53 859.75

Tenders

As stipulated in the SCM policy any procurement in excess of R 200 000.00 (incl Vat) must be done through a competitive bidding process. In the year under review we have successfully awarded 54 tenders. The tender process is a collective effort by not only the dedicated specialists of the SCM unit but also by the committed officials of this Council who represent the BSC, BEC and the BAC.

Following is a list of the top ten tenders awarded:

Date of Approval	BAC No	Tender No	Description	Tenderer	Amount (incl. VAT)
14.04.2011	UDMBAC: 508	UDM/MIG/27/2010	Tender for Middle-drift Phase 2: Water Treatment Works Project	Cyclone Construction (Pty) Ltd	R45 556 939.93
22.03.2011	UDMBAC: 495	UDM/MIG/15/2010	Tender for the Construction of Bulk Water Pipelines for Mbonambi Water Project: Phase 2	Sanyathi Civil Engineering and Construction	R13 730 045.00
20-08-2010	UDMBAC: 446	UDM/MIG/13/2010	Tender for the Greater Mthonjaneni Bulk Water Supply Phase 2C and 2D - Construction of Bulk Water Mains	Hidrotech Infra PTY (LTD)	R10 799 113.18
04.11.2010	UDMBAC: 464	UDM/MIG/12/2010	Tender for the Conversion of a Raw Water Pumpstation at Phobane Lake	Icon Construction (Pty) Ltd	R6 122 028.00
23.05.2011	UDMBAC: 517	UDM/MIG /06/2011	Tender for the Greater Mtnonjaneni Water Supply Phase 2: Construction of 3 ML Concrete Reservoir at Nomponjwana Area	B & B Plant Hire JV Mchumane Projects	R4 569 726.48
07.04.2011	UDMBAC: 502	UDM/MIG/07/2010	Tender for the Ductile Iron Materials Supply for KwaHlokohloko SSA5	Vula Indlela Construction CC	R 3 832 595.87
15.07.2010	UDMBAC: 434	UDM/MIG/06/2010	Greater Mthonjaneni Phase 1-10: Tender for the Construction of Reticulation	Awlcon cc	R3 451 305.20
06.08.2010	UDMBAC: 439	UDM/MIG/01/2010	Supply & Delivery of Building Tools & Material for the Mthonjaneni Sanitation Phase 3 Project for the period: 1 May 2010 to 31 May 2013	Martiq 282 cc T/A Aqua-Tap	R3 025 962.00
09.12.2010	UDMBAC: 474	UDM/MIG/17/2010	Tender for the Greater Mthonjaneni Water Supply Phase 2B: Construction of Water Reticulation Network to Reservoir Supply Zone 5	Akwande Civil Project CC / Dru Civils JV	R2 699 998.01

Date of Approval	BAC No	Tender No	Description	Tenderer	Amount (incl. VAT)
20.01.2011	UDMBAC: 475	UDM/MIG/17/2010	Tender for the Greater Mthonjaneni Water Supply Phase 2B: Construction of Water Reticulation Network to Reservoir Supply Zone 5	AC Industrial Sales & Services	R2 676 184.10

Section: Expenditure

Demanding excellent service from our service providers has to be reciprocated by excellent service from us. In this sense our services providers must be paid in full and where applicable in accordance with the applicable credit terms. This has been the core vision of the expenditure section, who with very limited resources attempt to settle debts timeously and ensure that all payments are valid and accurate.
We have since 2007 voluntarily subjected our financial records to an independent financial rating and as at the year under review we obtained an A1- rating for short term, from Messrs Global Credit Rating, indicating that risk factors are very low and there is a high probability of timeous payment.

Good business practices dictates that complacency should not be embraced once a goal is met, rather we should continue finding better practices so as to become leaders in service delivery.

The expenditure department is structured into several subsections so as to ensure that adequate focus is placed on every aspect concerning the payment of internal and external stakeholders.

Salaries

Working with an advanced industry-leading software programme we are able to accurately and timeously process monthly staff salaries and ensure that all prescriptive aspects eg, UIF and PAYE are meticulously attended to. During the year under review no instances of delayed salary payments were noted.

UTHUNGULU

uThungulu District Municipality
uThungulu Distrik Munisipaliteit
uMasipala Wesifunda Waso Thungulu

Consolidated Annual Financial Statements for the year ended 30 June 2011

GENERAL INFORMATION

Nature of business and principal activities	Municipality
Chief Financial Officer (CFO)	MC Reddy
Accounting Officer	DP Lubbe
Registered Office	Uthungulu House Krugerrand, CBD RICHARDS BAY
Business address	Uthungulu House Krugerrand, CBD RICHARDS BAY
Postal address	Private Bag X1025 RICHARDS BAY
Bankers	Nedbank Limited
Auditors	Auditor General of South Africa

UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the council:

Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UTHUNGULU DISTRICT MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated and separate financial statements of the uThungulu District Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 105 to 146.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA) and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these consolidated financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice No.1111 of 2010 issued in Government Gazette No. 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated and separate financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Uthungulu District Municipality and its subsidiaries as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

9. As disclosed in note 36 to the consolidated financial statements, the corresponding figures for 30 June 2010 have been restated as a result of changes in accounting policies that have been effected by management and have been applied retrospectively in accordance with GRAP 3 requirements.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

11. The supplementary information set out on pages 147 to 156 do not form part of the consolidated financial statements and are presented as additional information. I have not audited the schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 43 to 50 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Usefulness of information

13. The following criteria are relevant to the findings below:

    - Consistency: Objectives, indicators and targets are consistent between planning and reporting documents

14. The following audit finding relates to the above criteria:

Reported objectives, indicators and targets are not consistent and complete when compared with the planned objectives, indicators and targets (Consistency)

15. For the reported performance against predetermined objectives, 26% of the reported indicators and targets are not consistent with the approved integrated development plan.

Changes to planned objectives, indicators and targets were not approved (Consistency)

16. Additional and different objectives, indicators and targets were reported on as opposed to those in the approved integrated development plan. These additional and different objectives, indicators and targets were not included in the approved or adjusted budgets and were not approved subsequent to the strategic planning process.

Reliability of information

17. The following criteria are relevant to the findings below:

    - Validity: Actual reported performance has occurred and pertains to the municipality.
    - Accuracy: Amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately
    - Completeness: All actual results and events that should have been recorded have been included in the annual performance report

Reported performance against targets is not valid, accurate and complete when compared to source information

18. For the selected objectives listed below, 32% of the reported targets were not valid, accurate and complete based on the source information or evidence provided.
    - Local Economic Development
    - Local Economic Development of prioritised groups

- Local Tourism Development
- Agricultural Development
- Business and Industrial Development
- Access to Water (Potable Water and Waste Water)
- Access to Sanitation

19. For the following reported target which is material by nature, the completeness of reported targets could not be established as appropriate audit evidence could not be provided.

    - 2707 jobs created through the municipality's capital projects

Compliance with laws and regulations

20. Included below are findings on material non-compliance with laws and regulation applicable to the municipality.

Procurement and contract management

21. Persons who are in service of the state have not disclosed that they were employed by the state and have been transacting with the municipality, in contravention with section 44 of the Municipal Supply Chain Management (SCM) Regulations.

Strategic and performance

22. The municipality did not monitor and review their cycles and processes of performance in respect of measurement, reporting and improvements to be conducted, organised and managed, including determining the roles of the different role players as required by sections 38, 41(d), 42 and 46 (1) (c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulation 6 of the Municipal Planning and Performance Regulations, 2001.

INTERNAL CONTROL

23. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

    - **Leadership**
      The accounting officer did not exercise adequate oversight responsibility over the reporting of the predetermined objectives to ensure that they complied with the requirements of the MSA.

    - **Financial and performance management**
      The accounting officer did not perform adequate review of the annual performance report to ensure that approved indicators and targets were consistently and completely recorded. Furthermore, though the municipality has a system of internal controls in the form of a declaration; the service providers did not disclose on such forms that they were in the service of the state when transacting with the municipality.

Auditor-General

Pietermaritzburg

09 December 2011

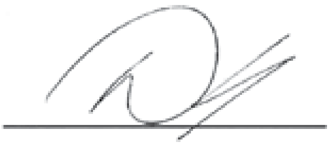
AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 105 to 156, in terms of Section 126(1) of the Municipal Finance Management Act (Act no 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.



DP Lubbe (Acting)
Accounting Officer

Richards Bay
17 November 2011

UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note	Group 2011	Group 2010 Restated	Municipality 2011	Municipality 2010 Restated
Assets					
Current Assets					
Inventories	2	7 068 924	8 403 060	7 068 924	8 403 060
Consumer debtors	3	10 228 855	14 539 764	10 228 855	14 539 764
Other debtors	4	14 561 549	13 219 505	14 561 549	13 219 505
Current portion of long-term receivables	5	32 745	221 000	32 745	221 000
VAT receivable	6	5 275 361	4 349 704	5 275 361	4 349 704
Cash and cash equivalents	7	366 974 767	263 613 568	365 358 441	262 081 197
		404 142 201	**304 346 601**	**402 525 875**	**302 814 230**
Non-Current Assets					
Property, plant and equipment	8	877 743 931	800 695 976	877 743 931	800 695 976
Intangible assets	9	189 520	62 621	189 520	62 621
Investments in municipal entities	10			25 719 814	24 841 061
Long-term receivables	5	542 439	671 506	542 439	671 506
Investments	11	-	18 804 415	-	18 804 415
		878 475 890	**820 234 518**	**904 195 704**	**845 075 579**
Total Assets		**1 282 618 091**	**1 124 581 119**	**1 306 721 579**	**1 147 889 809**
Liabilities					
Current Liabilities					
Current portion of long-term liabilities	12	2 547 652	2 281 555	7 451 178	6 584 287
Trade and other payables from exchange transactions	13	115 285 741	71 494 008	115 285 741	71 494 008
Consumer deposits	14	7 244 363	6 242 602	7 244 363	6 242 602
Defined benefit obligation	15	674 258	178 885	674 258	178 885
Unspent conditional grants and receipts	16	91 246 495	78 026 959	91 246 495	78 026 959
Current provisions	17	768 503	710 363	768 503	710 363
		217 767 012	**158 934 372**	**222 670 538**	**163 237 104**
Non-Current Liabilities					
Long-term liabilities	12	89 346 888	91 894 540	108 739 410	111 087 363
Defined benefit obligation	15	12 750 483	9 416 128	12 750 483	9 416 128
Non-current provisions	17	65 117 292	60 914 211	65 117 292	60 914 211
		167 214 663	**162 224 879**	**186 607 185**	**181 417 702**
		384 981 675	**321 159 251**	**409 277 723**	**344 654 806**
Total Assets		1 282 618 091	1 124 581 119	1 306 721 579	1 147 889 809
Total Liabilities		(384 981 675)	(321 159 251)	(409 277 723)	(344 654 806)
Net Assets		**897 636 416**	**803 421 868**	**897 443 856**	**803 235 003**
Accumulated Surplus		897 443 856	803 235 002	897 443 856	803 235 003
Outside Partner's Interest		192 560	186 866	-	-
		897 636 416	**803 421 868**	**897 443 856**	**803 235 003**

UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note	Group 2011	Group 2010 Restated	Municipality 2011	Municipality 2010 Restated
Revenue					
Service charges	18	41 192 934	32 876 680	41 192 934	32 876 680
Government grants & subsidies	19	386 087 990	407 502 708	386 087 990	407 502 708
Rental income		38 189	47 000	38 189	47 000
Defined benefits		-	1 011 471	-	1 011 471
Other income	20	7 091 872	5 725 406	12 896 963	11 302 606
Interest received	21	24 296 816	26 546 467	24 205 487	26 546 467
Total Revenue		**458 707 801**	**473 709 732**	**464 421 563**	**479 286 932**
Expenditure					
Employee related costs	22	86 622 796	72 685 524	86 622 796	72 685 524
Remuneration of councillors	23	5 491 850	5 415 213	5 491 850	5 415 213
Debt impairment		6 436 353	3 153 541	6 436 353	3 153 541
Depreciation and amortisation	24	39 086 453	30 116 217	39 086 453	30 116 217
Repairs and maintenance		34 702 638	32 884 655	34 702 638	32 884 655
Finance costs	25	6 956 310	8 083 313	12 698 920	9 243 940
Bulk purchases	26	24 470 386	18 357 262	24 470 386	18 357 262
Contracted services		60 161 496	68 076 540	60 161 496	68 076 540
Grants and subsidies paid	27	6 031 173	3 475 690	6 031 173	3 475 690
General expenses	28	94 698 656	153 433 801	94 698 631	157 876 242
Total expenditure		**(364 658 111)**	**(395 681 756)**	**(370 400 696)**	**(401 284 824)**
Gain/(Loss) on disposal of property, plant and equipment		601 377	(978 902)	601 377	(978 902)
Surplus for the year		**94 651 067**	**77 049 074**	**94 622 244**	**77 023 206**
Outside Partner's interest		(28 823)	(25 868)	-	-
Surplus for the year attributable to the municipality		**94 622 244**	**77 023 206**	**94 622 244**	**77 023 206**

UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Note	Accumulated surplus	Outside Partners Interest	Total
Group				
Balance at 01 July 2009		**497 053 747**	**162 769**	**497 216 516**
Changes in net assets				
GRAP 17 Unbundling of transferred assets - (refer to note 36)		229 279 665	-	229 279 665
Surplus for the year		77 023 207	25 868	77 049 075
Distribution by partnership		-	(1 773)	(1 773)
Changes in accounting policy		(121 617)	-	(121 617)
Total changes		803 235 002	186 864	803 421 866
Balance at 01 July 2010		**803 235 002**	**186 864**	**803 421 866**
Changes in net assets				
Surplus for the year		94 622 244	28 823	94 651 067
Distribution by partnership		-	(23 127)	(23 127)
Changes in accounting policy		(413 390)		(413 390)
Total changes		94 208 854	5 696	94 214 550
Balance as at 30 June 2011		**897 443 856**	**192 560**	**897 636 416**
Municipality				
Balance at 01 July 2009		**497 053 747**	-	**497 053 747**
Changes in net assets				
GRAP 17 Unbundling of transferred assets - (refer to note 36)		229 279 665	-	229 279 665
Surplus for the year - restated (refer to note 36)		77 023 206	-	77 023 206
Changes in accounting estimates		(121 617)	-	(121 617)
Total changes		803 235 001	-	803 235 001
Balance at 01 July 2010		**803 235 001**	-	**803 235 001**
Changes in net assets				
Surplus for the year		94 622 244	-	94 622 244
Changes in accounting estimates		(413 390)	-	(413 390)
Total changes		94 208 854	-	94 208 854
Balance as at 30 June 2011		**897 443 855**	-	**897 443 855**

CASH FLOW STATEMENT

Figures in Rand	Note	Group 2011	Group 2010 Restated	Municipality 2011	Municipality 2010 Restated
Cash flows from operating activities					
Receipts					
Receipts from consumers		52 663 500	27 853 156	58 468 591	33 430 356
Grants		397 522 496	344 172 159	397 522 496	344 172 159
Interest income		24 296 816	26 546 467	24 205 487	26 546 467
		474 482 812	398 571 782	480 196 574	404 148 982
Payments					
Employee costs		(92 114 646)	(78 100 737)	(92 114 646)	(78 100 737)
Suppliers		(173 230 905)	(227 141 100)	(173 207 752)	(231 572 707)
Finance costs		(6 956 310)	(8 083 313)	(12 698 920)	(9 243 940)
Prior year adjustments			1 360 521		1 360 521
		(272 301 861)	(311 964 629)	(278 021 318)	(317 556 863)
Net cash flows from operating activities	**29**	**202 180 951**	**86 607 153**	**202 175 256**	**86 592 119**
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(116 775 601)	(152 135 987)	(116 775 601)	(152 135 987)
Proceeds from sale of property, plant and equipment	8	1 319 195	158 873	1 319 195	158 873
Purchase of intangible assets	9	(203 524)	-	(203 524)	-
Movement in investments		-	-	(878 754)	(2 022 275)
Movement in non-current investments		18 804 415	(1 966 032)	18 804 415	(1 966 032)
Decrease in non-current receivables		317 322	94 189	317 322	94 189
Reversal of impairment		-	(299 237)	-	(299 237)
Net cash from investing activities		**(96 538 193)**	**(154 148 194)**	**(97 416 947)**	**(156 170 469)**
Cash flows from financing activities					
Net movement in other financial liabilities					
Repayment of long-term liabilities		(2 281 557)	43 871 982	(1 481 062)	45 032 610
Net cash from financing activities		**(2 281 557)**	**43 871 982**	**(1 481 062)**	**45 032 610**
Net (decrease) / increase in cash and cash equivalents		**103 361 201**	**(23 669 059)**	**103 277 247**	**(24 545 740)**
Cash and cash equivalents at the beginning of the year		263 613 565	287 282 624	262 081 194	286 626 934
Cash and cash equivalents at the end of the year	7	**366 974 766**	**263 613 565**	**365 358 441**	**262 081 194**

ACCOUNTING POLICIES

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Non - Current and Current Provisions.

1.1.2 Standards, amendments to standards and interpretations issued but not yet effected

The following GRAP standards have been issued but are not yet effective.

GRAP 18: Segment reporting-Issued in March 2005

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the entity.

GRAP 23: Revenue from Non-Exchange transactions (Taxes and Transfers) - Issued in February 2008 Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. This standard will have no impact on the municipality.

GRAP 24: Presentation of Budget Information in Financial Statements - Issued in November 2007

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in note 36.

1.1.3 Useful lives of Property, Plant and Equipment

As described in accounting policies 1.5 & 1.6 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

1.1.4 Defined Benefit Plan Liabilities

As described in accounting policy 1.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 15 to the financial statements.

1.1.5 Revenue Recognition

Accounting Policy 1.11 on Revenue from Exchange Transactions and Accounting Policy 1.12 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9; Revenue from Exchange Transactions and GAMAP 9 Revenue, as far as Revenue from Non Exchange Transactions are concerned. In particular, when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.6 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on managements educated judgement.

1.1.7 Changes in accounting policies

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the periodspecific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a Municipal Entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minorities proportion of the fair values of the assets and liabilities recognised.

The results of Municipal Entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of Municipal Entities to bring the accounting policies used into line with those used by the Municipality and other Municipal Entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

1.3 Financial instruments

1.3.1 Financial Assets Classification

A financial asset is any asset that is cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions etc.)
- Long Term Receivables
- Consumer Debtors
- Other Debtors
- Short Term Investment Deposits
- Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories prescribed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short Term Investment Deposit- Call	Held to Maturity Investments
Cash and Cash Equivalents	Loans and Receivables
Finance Lease Receivables	Loans and Receivables
Long Term Receivables	Loans and Receivables

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Type of Financial Asset	**Classification in terms of IAS 39.09**
Consumer Debtors	Loans and Receivables
Other Debtors	Loans and Receivables
Investments in Fixed Deposits	Held to Maturity Investments

Loans and Receivables

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non- current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment (Refer to note 3).

Held To Maturity Investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits).Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 4 months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Loans and Receivables.

1.3.2 Financial Liabilities Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long Term Liabilities
- Other Creditors
- Bank Overdraft
- Short Term Loans
- Current Portion of Loan Term Liabilities
- Consumer Deposits

There are two main categories of financial liabilities determined by their classification. Financial Liabilities may be measured at:

(i) Fair Value through profit or Loss; or
(ii) Amortised Cost using the effective interest method.

Any other financial liabilities are classified as "other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the financial liabilities of the municipality are all classified as "other financial liabilities".

1.3.3 Initial and Subsequent Measurement

Financial Assets

Held to Maturity investments, loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest income recognised on an effective yield basis.

Financial Liabilities

Financial Liabilities are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Impairment of Financial Assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets are impaired. Financial assets are impaired where there is objective evidence of impairment,(such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable.

The carrying amounts of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an impairment account. Subsequent recoveries of amounts previously written off are credited against the impairment account. Changes in the carrying amount of the impairment account are recognised in the Statement of Financial Performance.

Derecognition of Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises financial liabilities only when, the municipality's obligations are discharged, cancelled or they expire.

1.3.4 Investment in Municipal Entities

In the municipality's annual financial statements, investments in municipal entities are carried at fair value less any accumulated impairment at the reporting date.

1.4 Employee benefits

1.4.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs. The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

1.4.2 Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

1.4.3 Defined benefit plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

ACCOUNTING POLICIES

1.4 Employee benefits

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 15 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.5 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one financial period.

<u>Initial Recognition</u>

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to
- the municipality; and
- the cost of the item can be measured reliably.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset at acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.
Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.
Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Expected useful life
Land & Building	
• Permanent	30 years
• Other Buildings	30 years
Plant and Equipment	
• Weed Eater	2 years
• Lawn Mower	2 years
• Other	5 years
• Skid Mounted Fire Response	15 years
Furniture	10 years
Computer equipment	5 years
Infrastructure Electricity	
• Electrical Kiosk	15 years
• Electrical Meters	15 years
• Street Lights	15 years
• Electrical Lines and Cables	40 years
• Electrical Switchgear	40 years
• Power Transformers	40 years
•	
Infrastructure - Plant & Equipment	
• Heavy Duty Infrastructure Pumps	15 years
• Unspecified Infrastructure Assets	15 years
• Standby Generators Sets - Water & Sewerage Camps	15 years
Infrastructure Sewerage Services	
• Sewerage Containment	50 years
• Sewerage Network	50 years
• Sewerage Purification	50 years
Infrastructure Solid Waste Cell Services	
• Solid Waste Cell	7 years
• Cemetary	15 years
Infrastructure Water Services	
• Small Schemes	20 years
• Water Abstraction	20 years
• Water Network	20 years
• Water Purification	20 years
• Water Storage	50 years
Motor vehicles	
• Bakkie, LDV, Sedan & Tanker	7 years
• Truck	7 years
• Trailer & Caravan	5 years
• Forklift	5 years
• Tractors	15 years
Equipment	
• Office Equipment	5 years

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.7 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Initial Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement, Amortisation and Impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial Performance.

1.8 Investments in municipal entity

In the municipality's annual financial statements, investments in municipal entities are carried at fair value less any accumulated impairment at reporting date.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.9.1 Finance leases - The Municipality as a lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

1.9.2 Operating leases - The Municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance over the period of the lease.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

ACCOUNTING POLICIES

1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Tax

Normal Tax Expense:

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax (VAT):

The Municipality accounts for VAT on the accrual basis, based on special exemption received from the Commissioner of Revenue in that the payment related to VAT on sales is being made after receipt of revenue.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the solid waste site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought

ACCOUNTING POLICIES

1.12 Revenue from exchange transactions (continued)

into use.

Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

1.13 Revenue from non exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Grants in Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction
- expect to be repaid in future: or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

- The amount of borrowing costs eligible for capitalisation is determined as follows:
-
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

ACCOUNTING POLICIES

1.14 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.5 and in certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act(Act No. 56 of 2003).All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act(Act No. 32 of 2000), the Public Office Bearers Act(Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure and is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Events after report date

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

1.20 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.21 Currency of presentation

These consolidated annual financial statements are presented in South African Rand.